

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 20419
[REDACTED],)	
)	DECISION
Petitioners.)	
_____)	

On April 18, 2007, the staff of the Tax Discovery Bureau of the Idaho State Tax Commission issued a Notice of Deficiency Determination to [Redacted] (taxpayers) proposing income tax, penalty, and interest for the taxable years 2002 and 2003 in the total amount of \$10,735.

On May 14, 2007, the taxpayers filed a timely appeal and petition for redetermination. The taxpayers initially requested a hearing but also provided income tax returns for consideration. The Tax Commission, having reviewed the file, hereby issues its decision.

The Tax Discovery Bureau (Bureau) received information from the Idaho Department of Labor that showed the taxpayers received wages in 2002 and 2003 for work done in Idaho. The Bureau reviewed the Tax Commission's records and found that the taxpayers did not file Idaho individual income tax returns for those years. The Bureau sent the taxpayers a letter asking about their requirement to file Idaho income tax returns. The taxpayers did not respond. [Redacted] The Bureau prepared returns for the taxpayers and sent them a Notice of Deficiency Determination. The taxpayers protested the Bureau's determination and provided copies of their Idaho income tax returns.

The Bureau reviewed the taxpayers' returns and determined they were incomplete and invalid. The Bureau asked the taxpayers to provide the necessary information that would make

the returns valid and complete, but the taxpayers failed to respond. Consequently, the Bureau referred the matter for administrative review.

The Tax Commission reviewed the matter and sent a letter to the taxpayers acknowledging their request for a hearing. The taxpayers did not respond. The Tax Commission sent a follow-up letter to the taxpayers specifically asking for a complete copy of their 2002 and 2003 income tax returns. The taxpayers provided another copy of their returns; however, once again, the returns were not totally complete. The primary pieces of information that were missing from the taxpayers' returns were their W-2 Wage and Tax Statements. Further communications with the taxpayers yielded no additional information, so the Tax Commission decided the matter based upon the information available.

[Redacted] The Tax Commission found that the taxpayers did not include all their income on the returns they submitted. The Tax Commission discussed this with the taxpayers' representative and also sent the taxpayers a letter asking them to confirm the receipt of the unreported income. The taxpayers did not respond; however, the taxpayers' representative stated that the taxpayers acknowledged receiving the income not reported on their income tax returns.

For 2002, the taxpayers did not include nonemployee compensation from [Redacted] in the amount of \$3,189. For 2003, the taxpayers did not include wages from [Redacted] in the amount of \$3,561; wages from [Redacted] Inc. in the amount of \$11,666; nonemployee compensation from [Redacted] in the amount of \$3,056; and interest income in the amount of \$11. Most of the income was earned by [Redacted] but some was earned by [Redacted]. All this income should have been included on the taxpayers' income tax returns. Therefore, the Tax Commission adjusted the taxpayers' returns to include this income.

The taxpayers' returns included additional information the returns the Bureau prepared did not. Consequently, after the addition of the omitted income, the taxpayers' returns more accurately reflect the taxpayers' taxable income. Therefore, the Tax Commission accepts the taxpayers' returns, as adjusted, subject to the normal review process of the Tax Commission.

After adding the additional income, the taxpayers' returns resulted in tax owed to the state of Idaho. Since these returns are delinquent, the Tax Commission finds it appropriate to add interest and penalty. These additions are provided for in Idaho Code sections 63-3045 and 63-3046, respectively.

WHEREFORE, the Notice of Deficiency Determination dated April 18, 2007, is hereby MODIFIED, in accordance with the provisions of this decision and, as so modified, is APPROVED, AFFIRMED, and MADE FINAL.

IT IS ORDERED and THIS DOES ORDER that the taxpayers pay the following tax, penalty, and interest:

<u>YEAR</u>	<u>TAX</u>	<u>PENALTY</u>	<u>INTEREST</u>	<u>TOTAL</u>
2002	\$ 32	\$ 10	\$ 10	\$ 52
2003	655	164	171	990
			TOTAL DUE	<u>\$ 1,042</u>

Interest is computed to May 30, 2008.

DEMAND for immediate payment of the foregoing amount is hereby made and given.

An explanation of the taxpayers' right to appeal this decision is enclosed.

DATED this _____ day of _____, 2008.

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE

I hereby certify that on this _____ day of _____, 2008, a copy of the within and foregoing DECISION was served by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[REDACTED]

Receipt No.